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¶1. Summary. Opposition parties are preparing to introduce a motion in Parliament in early September to call for the dismissal of Minister of Labor Viera Tomanova, citing corruption and incompetence. Tomanova is the most visible symbol of social democratic/left-wing economic policymaking within Smer and the governing coalition, having drafted and passed labor code reform early this year. Tomanova is supported by Prime Minister Robert Fico but widely disliked by her Smer colleagues and Bratislava media, creating opportunity for the opposition to box Fico into a corner. While the dismissal resolution will not pass, the public campaign will make it nearly impossible for Tomanova to pass her proposed changes in the social insurance system - which are problematic for American investors - and may set the stage for her resignation down the road. Tomanova's departure would be significant since she is really the only Minister or prominent party figure (besides the Prime Minister) who publicly promotes a social democratic, leftward economic policy vision within Smer or the governing coalition. End Summary.

Challenging Tomanova

¶2. On August 13, opposition parties SDKU, SMK, and KDH publicly announced that they would introduce a motion in Parliament during the first week of September calling for the Prime Minister to dismiss Minister Tomanova. The motion will cite corruption concerns, focusing on Tomanova's recent decision to award a 1.5 million SKK (USD 60,000) grant the NGO Privilegium -- where Tomanova worked immediately before assuming her current position -- even though Privilegium owes 17 million SKK (USD 700,000) from several years of unpaid social insurance taxes. The corruption charges are relatively mild by local standards but have received widespread media coverage due to Tomanova's high degree of unpopularity and visibility with local press. Smer has responded by expelling the statutory representatives of Privilegium from the party and the NGO has to give up the money. PM Fico says he is willing to accept responsibility for the grant, but continues to defend Tomanova.

¶3. Opposition parties do not expect to attract any votes from Smer, HZDS, or SNS for their Tomanova dismissal resolution. They know, however, that the majority of parliamentarians from all three ruling parties significantly disagrees with Tomanova on policy issues, questions her competence, and wishes she would quietly go away. Key Smer officeholders such as Minister of Finance Jan Pociatek and Minister of Interior Robert Kalinak, among others, have not been shy in offering their frank negative assessments of her. The Prime Minister, however, trusts and respects Tomanova, to the point that he has lashed out against media coverage of the Privilegium incident and carried out a recent press conference with her on social insurance reform. Observers

believe Fico will use up significant reserves of political capital in an effort to save her from being the first member of his cabinet to resign. Fico's stubbornness is likely to hurt him on this issue; a recent MESA-10 poll suggests that 42% disagree with Fico's support of Tomanova while only 20% agree.

The real goal: stopping social insurance reform?

14. While opposition parties do not expect to see Tomanova step down soon (and on a certain level would rather keep her bumbling in the public eye), they want to apply direct pressure to Tomanova so that she is too weak to pass any more legislative initiatives. In July, Tomanova's Ministry of Labor introduced a social insurance (i.e. pension, sickness and disability) reform proposal that would eliminate caps on maximum employee and employer contributions and tighten access on drawing funds from the system. (Employees and employers currently pay 9.4% and 25.2% of salary, respectively, in social insurance payroll taxes up to the gross income cap level, which is 1,200 USD or 2,400 USD per month, depending on insurance category. All salary above that level is not subject to payroll tax.) The proposal is designed primarily to fill a 28 billion SKK (USD 1.16 billion) deficit in the system created by partial privatization under the previous government, but is too modest to cover more than a fraction of the deficit. Meanwhile, the costs imposed on foreign investors associated with eliminating contribution caps would be considerable since many of their employees earn salaries above contribution cap levels. US Steel, PriceWaterhouseCoopers, and Dell have estimated the potential cost impact to be three to five times higher than that of Tomanova's labor code reform, passed in June. The American Chamber of Commerce addressed these and other concerns to the Prime Minister in a letter sent August 13.

15. Given the current media circus surrounding the Minister of Labor, Tomanova's critics within Smer have been rather direct about voicing their concerns about social insurance reform. When the Ministry asked in late July for comments from the Council of Ministers, it received by early August 174 different objections, the vast majority from Smer-run Ministries. While most comments focused on technical details, the Ministries of Finance and Interior directly raised concerns about the principal provisions of the legislation. The primary political coordinator for Smer parliamentarians, Andrej Kolesik, told econoffs that Tomanova made grave mistakes by prematurely introducing the legislation without consulting her coalition partners and the relevant ministries, and that the legislation could not go forward in its current form. The willingness of top Smer officials to directly oppose Tomanova's proposals contrasts significantly with earlier attempts within Smer and the governing coalition to moderate MOL labor code reform quietly and behind closed doors. Many observers believe Tomanova's original social insurance reform proposal, so feared by foreign investors just a few weeks ago, is dead-on-arrival unless Fico takes the opposition to Tomanova personally and forces the issue within the coalition and in Parliament.

Outlook

16. The opposition campaign against Tomanova and the almost daily negative publicity she receives in print and television media have nearly eliminated her ability to accomplish substantive policy goals for Smer. While Fico is highly unlikely to accede to pressures calling for her resignation, many observers believe Tomanova will likely step down some time next year when the public spotlight on her is diminished. Tomanova does not have an obvious, influential replacement waiting in the wings, and her departure would significantly reduce the influence of the old Social Democratic Left (SDL) party from Smer's economic policy making process.

SILVERMAN